

**REMARKS**

The 27 September 2002 official action addressed claims 49-70. Claims 49-70 are canceled and replaced by new claims 71-151.

The new claims provided herein are intended to focus more specifically on the report generation features of the invention that are described in the application. The following discussion provides an overview of the claimed invention, followed by an overview of the new claims and the support in the application for the features of the new claims. The claimed invention is then compared to the Lewis reference that was cited against the previous claims to demonstrate that the present claims are patentably distinguished over the Lewis reference.

Discussion of the claimed invention

The claimed invention relates to investment portfolios, and more specifically to methods and systems that use the transaction data for individual investments to generate comprehensive financial performance reports for the investment portfolio as a whole. The financial performance reports are analogous in form to the financial statements that are typically used to represent the current state and recent performance of a company. In other words, the data of the investment portfolio is processed and presented in a way that treats the investment portfolio as an operating business.

Because some of the terminology used in the application to describe the claimed invention is conventional accounting terminology that those outside of the accounting field may not be fully acquainted with, the following explanation of basic accounting concepts is provided as background to further discussion of the claimed invention.

Basic accounting concepts

The finances of a business or an individual are conventionally represented by a "financial statement" or "personal financial statement." The financial

statement contains two main sections: a "balance sheet" and an "income statement."

The following illustration shows the typical format of a financial statement:

Financial Statement			
September 30, 2002			
<u>Assets</u>		<u>Liabilities and Equity</u>	
Cash	\$2,000	Accounts Payable	\$1,500
Property	\$2,000	Interest Owed	\$ 500
Inventory	\$3,000		
Acct's Rec	\$3,000	Equity	\$8,000
<b>TOTAL</b>	<b>\$10,000</b>	<b>TOTAL</b>	<b>\$10,000</b>
 <u>Income Statement</u> July 1 - September 30, 2002			
Revenues:	\$3,500		
Expenses:	\$2,500		
<b>INCOME:</b>	<b>\$1,000</b>		

The balance sheet (the top portion of the statement) is presented as two columns: an "assets" column that shows the things of value owned or controlled by the business (cash, property, inventory, accounts receivable, etc.), and a "liabilities and equity" column that shows the amounts owed by the business to creditors (payments owed, etc., i.e., "liabilities"), and remaining amounts that represent the value of the business to its owners ("equity"). The equity of the business can also be thought of as its "net worth." The two column format is useful because the individual amounts in each column, when totaled, add up to the same amount. In other words, the amount of assets equals the amount of liabilities plus the amount of equity. Stated another way, the owners' equity or the net worth of the business is equal to assets minus liabilities. The balance sheet shows all of the assets, liabilities and equity of the business as of a given date.

The income statement (the bottom portion of the financial statement) shows the revenues generated and the expenses incurred during a given period of time (e.g., a three month "quarter"). The revenues and expenses for a given

period are summed to indicate the change in net worth that occurred during that period.

The conventional balance sheet as shown in the above financial statement is created by a method known as double entry bookkeeping. In double entry bookkeeping, every transaction that the business engages in is recorded by making two or more entries in a general ledger of transactions. Each entry shows how the transaction affects either the assets of the business, the liabilities of the business, or equity of the business. For example, if the business borrows \$1000 dollars, the ledger shows a first entry indicating that the cash assets of the business have been increased by \$1000, and a second entry indicating that the liabilities of the business have also increased by \$1000 (no entries affecting equity are made -- since the business now has \$1000 more in cash but also owes \$1000 more, the equity or net worth of the business is not changed). By making two or more entries showing the individual effects on assets, liabilities and equity, the bookkeeper ensures that the full effects of all transactions are accurately represented in the books, hence that the books are "balanced." The "balance sheet" shows the totals of all entries for each type of assets, liabilities, and equity, and the matching totals at the bottom of each column of the balance sheet show that all matching double entries have been correctly made, and that the books are therefore balanced.

The value of the financial statement is that it clearly shows the financial state of the business at a given time (the upper balance sheet portion) and the performance of the business during a preceding period of time (the lower income statement), taking into account all transactions that affect the business, and the particular aspects of the business affected by each transaction. The practice of creating a balance sheet and income statement for an ongoing business is standard practice and is standardized in the United States in accordance with the Generally Accepted Accounting Principles (GAAP).

#### Overview of the claimed invention

The claimed invention treats an investment portfolio as if it is an operating business by presenting information about the portfolio in a "financial position

report" that is analogous to the financial statements used for businesses (i.e., balance sheets and income statements). In particular, the financial position report shows the cumulative assets, liabilities and equity of the portfolio, and shows the cumulative revenues and expenses of the portfolio during a preceding period. The quantities shown in the financial position report are preferably calculated using real time price data. Consequently, the user is enabled to view a single representation of the portfolio that accounts for the effects of all aspects of all transactions, and that indicates the current value of the portfolio as a whole using the current values of all securities held in the portfolio. In other words, the report shows the net worth of the portfolio at that moment, i.e., what the value of the portfolio would be at that moment if all holdings were sold at current prices and all obligations (taxes, commissions etc.) were paid.

To this end, the records for the individual transactions of the portfolio are processed in a manner that generates a double entry-type representation of the assets, liabilities and equity of the portfolio, as well as an income statement-type representation of the revenues, expenses, and change in net worth of the portfolio during a defined preceding period of time. Real time price data is used to determine "unrealized" gains and losses and unrealized taxes (i.e., gains, losses, or taxes that would exist if a currently owned stock was sold at current prices), so that the quantities shown in the financial position report accurately reflect the current value of the portfolio.

The information shown in the financial position report of the claimed investment is very different than the information that is typically provided to owners of securities and other investments. Investments in securities such as stocks are conventionally represented to the investor by transaction data that shows the number of shares bought or sold, the amount paid per share, any margin amount (i.e., borrowed money used to finance the transaction) and any commissions and other costs associated with the transaction (see, e.g., the fields shown in Figure 7a, which is a screen for entering the transaction data describing a purchase of shares). This type of financial data is conventionally referred to as "single entry" data, in contrast to the double entry data described above, because it uses single numbers to show the simple quantities involved in

the transaction, rather than multiple (i.e., double entry) quantities that represent the effects of the transaction on assets, liabilities and equity, and that are balanced to ensure that they accurately account for those effects.

The periodic reports provided by brokerages typically give the single entry quantities involved in each transaction, and provide simple summary information such as the gross gain or loss during the period of the report based on the current price of the shares and the price paid for the shares. While this information is useful for representing the individual actions taken by the investor, it does not give a clear picture of the effects of all aspects of the transaction on the overall value of the portfolio as a whole, or the overall performance of the portfolio during a given period, or the current value of the portfolio when all factors including current prices are taken into account. For example, while the information typically provided to the investor indicates whether each stock increased or decreased in value during a preceding period, a determination of the overall value of the portfolio must also take into account all other aspects of the transactions, such as commissions on the transactions, any interest paid on margin (borrowed money used to finance the transactions), and short-term or long-term capital gains taxes (paid, owed or unrealized). When these considerations are factored in, the investor is provided with a more accurate, and often very different picture of the portfolio as a whole.

A main purpose of the claimed invention is to take the simple transaction data records that are typically provided to the investor, and to generate from these a double-entry representation of the portfolio that is similar to the conventional financial statement used by businesses. In other words, the investor's portfolio is depicted as having assets (e.g., shares owned), liabilities (e.g., interest and taxes to be paid), and equity or net worth (e.g., the value of the portfolio after accounting for the amounts initially invested and any liabilities, and increases and decreases in values of shares currently held). Further, the portfolio is depicted as having generated revenue and having incurred expenses during a preceding period, resulting in a change in net worth during that period. These quantities are determined using current security price data to give an accurate representation of the current value of the portfolio.

Examples of financial position reports generated by the claimed invention are provided in the application at Figure 8 and Figure 9V-3. As seen in Figure 8, the financial position report includes an upper portion that is analogous to a balance sheet, in that it presents a column providing double entry asset balances (cash, etc.), and a column providing double entry liability balances (margin, margin interest etc.) and equity balances (cash invested, net worth). The asset, liability and equity balances represent the portfolio as a whole as of a given date, and it is seen in Figure 8 that the totals of the double entry balances in each column are equal.

The financial position report further includes a profit/loss section (also referred to in the application as a "net worth activity" section) that is analogous to the income statement of a conventional financial statement. The profit/loss section shows the revenues (gains and losses, dividends/interest) and expenses (commissions and costs etc.) of the portfolio during a given period, and a total amount by which net worth of the portfolio was increased or decreased during that period.

The double entry balances shown in the financial position report are calculated using the standard single entry transaction data records that represent each transaction of the portfolio. The transaction data records may be entered manually but are preferably obtained in an automated fashion from the databases of the investor's broker(s). By converting the relatively unhelpful individual single entry transaction data records into a comprehensive report including double entry asset, liability and equity balances, revenue and expense balances, and net worth, the investor is enabled to quickly ascertain the true overall financial position and performance of the portfolio. Further, by integrating real time security price data into the calculations used to generate these balances, the investor is provided with a real time valuation and performance assessment that assists the investor in making better informed decisions about opening new positions or closing existing positions.

Thus, the financial position report of the claimed invention provides a much clearer picture of the investment portfolio than the single entry transaction data that is traditionally provided to investors.

Overview of the new claims

The new claims are drawn to methods of generating the reports that are discussed above. No new matter is added.

New claim 71 describes the process whereby single entry transaction data records (e.g., Fig. 7a) are obtained and used to calculate double entry type balances of a financial position report (p. 4, lines 8-11; p. 6, lines 23-25; p. 9, lines 19-22; p. 16, lines 10-12). The double entry balances include asset, liability and equity balances (Figs. 8 and 9V-3; p. 17, lines 4-10), which are summed together (similar to a balance sheet) to show that assets = liabilities + equity. The asset, liability and equity balances are presented in a two column double entry format (Figs. 8 and 9V-3). In addition, reports supporting each of the asset, liability and equity balances are generated (see reports shown in Fig. 8; see also table of reports at pages 10 - 12 and corresponding drawings). The financial position report showing the double entry type asset, liability and equity balances is then presented, with each balance being associated with a hyperlink to the report that supports it (Fig. 8; p. 10, lines 9-15).

Claims 72-74 describe particular data included in various types of transaction data records, examples of which are shown in Figures 7a-7f.

Claim 75 describes the process by which the financial position statement is regenerated to account for a hypothetical what-if type transaction specified by the user (Fig. 11; p. 15, line 22 - p. 16, line 8).

Claims 76-99 describe details of the supporting reports associated with the asset, liability and equity balances of the financial position report, and in some instances specify that the reports are generated using real time price data. These reports are shown collectively in Figure 8, and shown individually in detail in the figures that follow, and are described in the table at pages 10-12.

Claims 100-103 specify that requests for the financial position report and the data used to generate it are received through the Internet, and that real time price data is used in generating the balances shown in the report.

Claim 104 describes the additional processing that generates the revenue and expense balances and the net worth figure for the profit/loss section of the

financial position statement (bottom portion of Figure 8; p. 10, lines 11-12; p. 17, lines 11-19). Claim 104 also specifies the generation of reports supporting those balances (see Fig. 8, and reports described in the table at p. 10-12 and the corresponding figures), and the presentation of those balances in conjunction with hyperlinks to the supporting reports (Fig. 8; p. 10, lines 9-15).

Claims 105-123 describe details of the reports associated with the revenue, expense and net worth balances, and in some instances specify that the reports are generated using real time price data. These reports are shown collectively in Figure 8, and shown individually in detail in the figures that follow, and are described in the table at pages 10-12.

Claim 124 describes the process by which the financial position statement is regenerated to account for a hypothetical what-if type transaction specified by the user (Fig. 11; p. 15, line 22 - p. 16, line 8).

Claim 125 describes a general process for producing other investment portfolio performance measures (Fig. 8, columns next to the revenues and expenses column).

Claims 126-136 describe specific performance reports shown in Figures 9O-1, 9O-2, 9P-1 and 9P-2.

Claims 137-140 specify that requests for the performance reports and the data used to generate them are received through the Internet, and that real time price data is used in generating balances shown in the performance measures.

Claim 141 describes the creation of the net gains and losses report of Figure 9N-2.

Claim 142 describes details of the net gains and losses report of Figure 9N-2.

Claims 143-146 specify that requests for the financial net gains and losses report and the data used to generate it are received through the Internet, and that real time price data is used in generating balances shown in the report.

Claim 147 describes the creation of the Schedule D report shown in Figure 9Q.



Claims 148-151 specify that requests for the Schedule D report and the data used to generate it are received through the Internet, and that real time price data is used in generating balances shown in the report.

Prior art rejections

The previous claims were rejected as being anticipated by Lewis (U.S. published application 2002/0065752). The present claims are believed to be significantly different from what is taught in Lewis.

Lewis discloses a system for collecting financial data and developing a database of financial data so that the financial data can be used by other applications. Lewis provides a detailed description of a back-end system that collects data, but provides very little discussion of how that data is used. In contrast, the claimed invention is focused on particular manners of reporting and representing financial data for investment portfolios. Therefore, while the back-end system taught by Lewis could conceivably be used to implement the claimed invention, Lewis does not teach any of the particular uses that are specified by the present claims.

The basic architecture of the Lewis system is shown in Figure 4. As seen in Figure 4, data is obtained from a variety of source systems and is stored in a database 130, from which it may be accessed by user systems 150 for end user applications. Figure 10 shows how data from various sources is consolidated into the general format of the system database. The manners in which various types of transactions are recorded in the database are shown in Figures 18a - 18c. Lewis' system allows simple transaction data to be recorded and updated so that, for example, changes in cash balances and other quantities recorded in other ledgers can be tracked (e.g. par. 101, 102).

While Lewis is clearly interested in collecting financial data for further use by other applications, Lewis provides very little teaching regarding the use of that data for generating reports, or actual types of reports that could be generated. Lewis provides specific teaching for only two types of reports, shown in Figures 27 and 28. By comparing these reports to the report of Figure 8 of the present application, it is seen that the Lewis reports are nothing like

those presently claimed. The trial balance report of Figure 27 provides a consolidated listing of cash transactions in different accounts using different currencies. There are no asset, liability or equity balances for a portfolio as a whole, no accounting for real time prices of assets, and no hyperlinks to supporting reports. The Available Collateral Projections report of Figure 28 provides a simple listing of holdings in certain classes of assets, and again does not show asset, liability or equity balances for a portfolio as a whole, and does not account for real time prices of assets, or provide hyperlinks to supporting reports.

Thus, while Lewis teaches a back-end system for collecting financial data, Lewis stops short of teaching any approach to reporting for investment portfolios like that of the claimed invention. Lewis clearly does not contemplate generating the types of reports generated by the claimed invention. Most particularly, nothing in Lewis teaches or suggests taking the transaction data for the transactions of a portfolio and converting them to double entry asset, liability and equity balances for the portfolio as a whole, or presenting a financial position report for the portfolio that provides those balances in a double entry format. Lewis further does not teach or suggest providing such a report with hyperlinks to further reports supporting each balance. Thus it is believed that claim 71 and its dependent claims are patentably distinguished from Lewis for these reasons.

Lewis also says nothing about performing what-if scenarios in conjunction with such a presentation, and so it is believed that claim 75 is distinguished for this additional reason.

Further, nothing in Lewis suggests augmenting such a report with revenue and expense balances for the portfolio as a whole during a period of time, and providing those balances and a net worth balance for that period of time along with the balances and presentation previously described. Therefore claim 104 and its dependent claims are distinguished for this additional reason.

The many claims that depend from claim 71 and that recite details of supporting reports are likewise not taught or suggested by Lewis since Lewis does not teach or describe any reports.



With regard to claim 125, Lewis does not teach or suggest calculating a performance measure for a portfolio as a whole, and does not teach or suggest the supporting reports specified in the dependent claims.

With regard to claim 141, Lewis does not teach or suggest calculating the effect of commissions and costs on gains and losses of a portfolio as a whole for a period of time, and does not teach or suggest the supporting reports specified in the dependent claims.

With regard to claim 147, Lewis does not teach or suggest calculating short term and long term gains and losses for the portfolio as a whole, therefore claim 147 and its dependent claims are patentably distinguished from Lewis.

Therefore, it is believed that all of the pending claims specify subject matter that is not taught or suggested by Lewis, and that therefore is not anticipated or made obvious by Lewis.

The foregoing amendments and remarks address all bases for objection and rejection and are believed to place the case in condition for allowance. The examiner is invited to contact the undersigned to resolve any remaining issues.

Respectfully submitted,

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By

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